GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:3734
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HURDLES IN AGRICULTURE SECTOR
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Will the Minister of AGRICULTURE be pleased to state:

(a) whether the agriculture sector is facing a number of hurdles such as low productivity, decreasing water level, loans at higher rate of interest, adverse market and private investment conditions;

(b) if so, whether the Government has prepared any plan for agro reforms and increasing private investment to bring India into higher growth net; and

(c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a): According to the Mid-Term Appraisal of the 10th Five Year Plan (2002-07), GDP growth in Agriculture and allied sectors during the first three years of the Tenth Plan averages only 1% per annum compared with the Tenth Plan target of 4% growth. The reasons given for the shortfall in performance include problems arising from erratic monsoon, inadequate irrigation facilities, price fluctuations, particularly decline in prices affecting incentives to farmers to produce more in case of crops like oilseeds, worsening of the debt situation, dependence on informal sources for credit, and inadequate marketing infrastructure.

(b)&(c): With a view to encouraging private investment in the marketing sector, the Government is implementing a scheme for `Development / Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization`.

Under this scheme, investment subsidy is provided on the capital cost of general or commodity specific infrastructure for marketing of agricultural commodities including terminal markets. Under the scheme, subsidy @ 25% of capital cost of the project subject to a maximum of Rs. 50 lakh for each project is provided in all States and @33.3%of capital cost subject to a maximum of Rs.60 lakh for each project in case of North Eastern States, hilly areas and to Scheduled Caste / Scheduled Tribe entrepreneurs. In respect of infrastructure projects of State Government / State Agencies, there is no upper ceiling on subsidy to be provided under the scheme. The Scheme is reform linked, to be implemented in those States/ Uts that amend the APMC Act, wherever required, to allow setting up of direct marketing and competitive markets. The States of Madhya Pradesh, Tamil Nadu, Kerala, Manipur, Himachal Pradesh, Andhra Pradesh, Punjab, Sikkim, Nagaland and Andaman and Nicobar Islands have been notified for the implementation of this Scheme.

Under the existing Agricultural Produces Marketing Regulation Act (APMC Act), the farmer is restricted from entering into direct contract with any manufacturer as the produce is required to be canalized through licensed traders and regulated markets. In the case of fruits and vegetables, several intermediaries exist between the farmer and the retailer and the farmer realizes less than 30 per cent of the final consumer price. These restrictions are acting as a disincentive to farmers, trade and industry. Thus, the marketing reforms are expected to benefit farmers by enlarging the markets for their produce and also by enlarging their share in the final consumer price. This, in turn, is expected to result in higher growth rate through increase in private investment.

As regards credit, the Mid-Term Appraisal has referred to the initiatives taken to improve credit facilities in June 2004, and has observed that there are signs of improvement in the disbursement of ground-level credit